

## Message Text

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PAGE 01 NEW DE 00833 161338Z

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ACTION NEA-10

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P R 161141Z JAN 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 3438

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU PRIORITY

USLO PEKING

AMCONSUL HONG KONG

C O N F I D E N T I A L NEW DELHI 0833

EO 11652: GDS

TAGS: PFOR, IN, NP

SUBJ: FONMIN CHAVAN'S VISIT TO NEPAL: INDIAN AND NEPALESE

EXPECTATIONS DIFFER

SUMMARY: CONVERSATIONS WITH INDIAN AND NEPALESE OFFICIALS IN DELHI INDICATE DIVERGENT VIEWS CONCERNING THE SIGNIFICANCE OF THE UPCOMING VISIT OF FONMIN CHAVAN TO NEPAL JAN 19. THE NEPALESE EMBASSY COUNSELOR SAID THAT HIS GOVERNMENT IS "EAGER" TO IMPROVE RELATIONS AND THAT THEIR UNDERSTANDING IS THAT THE GOI IS "WILLING" TO DO SO. TO OBTAIN ECONOMIC CONCESSIONS THE GON IS WILLING TO MAKE POLITICAL CONCESSIONS TO INDIA. THE ACTING DIRECTOR OF THE NORTHERN DIVISION IN MEA EMPHASIZED THAT THE VISIT WAS PRIMARILY A MATTER OF PROTOCOL, AND HE TOOK EXCEPTION TO NEWSPAPER COMMENTARIES THAT THE VISIT COULD LEAD TO A RESTRUCTURING OF INDO-NEPALESE RELATIONS. INDIA, HE SAID, DOES NOT SEEK A RETURN TO A SPECIAL POLITICAL RELATIONSHIP WITH NEPAL AND THAT WHILE IT WANTED TO HELP WITH ITS NEIGHBOR'S ECONOMIC DEVELOPMENT, INDIA'S RESOURCES WERE LIMITED. OUR INDIAN AND NEPALESE INTERLOCUTORS WERE IN AGREEMENT

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PAGE 02 NEW DE 00833 161338Z

THAT THE ZONE OF PEACE PROPOSAL WOULD NOT FIGURE IMPORTANTLY

IN THE DISCUSSIONS WITH CHAVAN AND THAT THERE WOULD BE NO DETAILED CONSIDERATION OF ECONOMIC AND TRADE/TRANSIT MATTERS. END SUMMARY.

1. IN A DISCUSSION WITH EMBOFF, THE RECENTLY ARRIVED COUNSELOR OF THE NEPALESE EMBASSY, J.P. RANA, (PREVIOUSLY POSTED IN MEA, KATHMANDU) INDICATED THAT THE GON IS HOPEFUL THAT FONMIN CHAVAN'S UPCOMING VISIT TO NEPAL BEGINNING JANUARY 19 WILL SET THE TONE FOR SUBSTANTIALLY IMPROVED INDO-NEPALESE RELATIONS. HE IMPLIED THAT THERE IS A FRESH AWARENESS IN KATHMANDU OF THE IMPORTANCE OF INDIA TO NEPAL. RANA SAID THAT HIS GOVERNMENT IS "EAGER" TO IMPROVE RELATIONS AND IN THE SAME BREATH SAID THAT INDIA IS "WILLING" TO DO SO. NEPAL'S CONCERNS ARE MAINLY ECONOMIC, PARTICULARLY ITS TRANSIT RELATIONS WITH INDIA. RANA SAID THAT THE DETAILS OF THESE PROBLEMS WOULD NOT BE DISCUSSED DURING THE CHAVAN VISIT, BUT THAT HOPEFULLY A NEW SENSE OF MUTUAL TRUST GROWING OUT OF THE VISIT WOULD FACILITATE SOLUTIONS FAVORABLE TO NEPAL. RANA ACKNOWLEDGED THAT, IN RETURN FOR ECONOMIC CONCESSIONS FROM INDIA, THE GON IS NOW WILLING TO MAKE POLITICAL CONCESSIONS. THE GON, HE SAID, WOULD NOT MAKE TOO MUCH OF ITS ZONE OF PEACE PROPOSAL IN THE MEETINGS WITH CHAVAN. FOR ITS PART, ON THE ECONOMIC SIDE, THE GON IS WILLING TO INCREASE ITS ANTI-SMUGGLING MEASURES. RANA THOUGHT THAT EVENTUALLY INDIA MIGHT RECONSIDER PRICES FOR BASIC COMMODITIES SUCH AS COAL, BUT HE HAD NO ILLUSION THAT NEPAL WOULD ONCE AGAIN BE ABLE TO PURCHASE COMMODITIES AT THE INDIAN INTERNAL PRICE.

2. MINISTRY OF COMMERCE JOINT SECRETARY VARMA TOLD AN EMBOFF THAT NEWSPAPER REPORTS IN DELHI THAT TOPICS SUCH AS IRRIGATION AND HYDRO-ELECTRIC PROJECTS WOULD BE DISCUSSED DURING THE CHAVAN VISIT WERE NOT RELIABLE. CHAVAN WOULD NOT BE ACCOMPANIED BY ANYONE FROM THE COMMERCE MINISTRY, AND IT WAS THEREFORE UNLIKELY THAT ANYTHING SUBSTANTIVE IN THE ECONOMIC FIELD WOULD BE AGREED TO DURING THIS TRIP.

3. VARMA ALSO CONFIRMED THAT INDIA HAD LIFTED ALL EXPORT  
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PAGE 03 NEW DE 00833 161338Z

CONTROLS FOR THE NEPALESE ON 45 ITEMS OF HARDWARE (KATHMANDU 0173). HE EXPLAINED THAT SINCE SMUGGLING OF THESE GOODS INTO INDIA WAS MINIMAL, THE GOI COULD AFFORD TO CHANGE THIS PARTICULAR POLICY IN LINE WITH ITS GENERAL AIM OF LIBERALIZING AND SIMPLIFYING TRADE PROCEDURES.

4. ACTING DIRECTOR OF THE NORTHERN DIVISION IN MEA, J. DAULET SINGH, TOOK A MUCH MORE RESERVED VIEW THAN DID

RANA CONCERNING THE SIGNIFICANCE OF THE CHAVAN VISIT. HE EMPHASIZED THE PROTOCOL NATURE OF THE VISIT SAYING THAT IT WAS LONG OVERDUE, HAVING RECENTLY BEEN DELAYED BECAUSE OF THE MINISTER'S BUSY SCHEDULE. HE DISAGREED WITH RECENT PRESS ARTICLES HERE AND IN KATHMANDU (E.G., DILIP MUKERJEE AND MAVIN KURVE) WHICH SAW IN THE CHAVAN VISIT THE POSSIBILITY FOR AN IMPORTANT RESTRUCTURING OF INDO-NEPALESE RELATIONS. SUCH COMMENTARIES, SINGH SAID, MIGHT CREATE FALSE EXPECTATIONS IN KATHMANDU. HE DID NOT THINK THAT THE EXISTENCE OF A NEW GOVERNMENT IN NEPAL OFFERED THE POSSIBILITY FOR DEVELOPING A NEW RELATIONSHIP. DR. GIRI WAS, HOWEVER, APPRECIATED BY THE GBI "AS ONE WHO WAS NOT AN INVETERATE ANTI-INDIAN" AND WHO WOULD SKILLFULLY ASSERT NEPAL'S INTERESTS. TAKING THE HARD LINE WHICH HE HAS EXPRESSED IN EARLIER CONVERSATIONS, SINGH SAID THAT "NEPAL WANTS TO HAVE ITS CAKE AND EAT IT TOO." HE SAID THAT THE NEPALESE ASSERT THEIR POLITICAL INDEPENDENCE AND SOVEREIGNTY WHILE AT THE SAME TIME SEEKING TO OBTAIN SPECIAL ECONOMIC CONCESSIONS FROM INDIA. FOR ITS PART, THE GOI DOES NOT SEEK A SPECIAL POLITICAL RELATIONSHIP WITH NEPAL SUCH AS OBTAINED IN THE 50'S. INDIAN WILL BE HELPFUL ON THE ECONOMIC SIDE, BUT, HE EMPHASIZED, THERE ARE SERIOUS RESOURCE CONSTRAINTS. ON THE ZONE OF PEACE PROPOSAL, SINGH INDICATED THAT THE GON NOW APPRECIATED INDIA'S VIEW THAT NOTHING IN THEIR RELATIONSHIP THREATENED NEPAL AND THAT THEREFORE THE PROPOSAL WAS NOT NECESSARY. SINGH DID NOT THINK THE ZONE OF PEACE PROPOSAL WOULD FIGURE IMPORTANTLY IN THE DISCUSSIONS WITH CHAVAN.

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